

Passing Wealth, Widening Gaps: The Role of Homeownership in the Great Wealth Transfer

By: Linna Zhu & Amalie Zinn

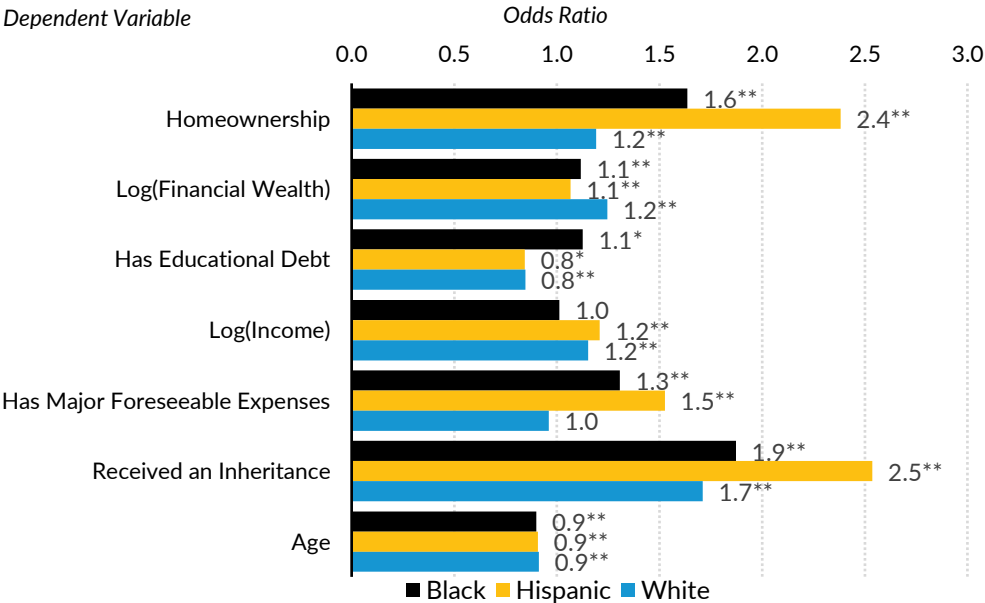
Baby boomers are approaching retirement and end-of-life planning. These households hold more than half of our country’s wealth and are estimated to pass down \$84 trillion worth of assets by 2045. Our new [research](#) suggests that what has been deemed the “Great Wealth Transfer” is likely to exacerbate racial wealth disparities and stagnate progress to close racial gaps in homeownership rates in California and across the nation.

Homeownership is key to building wealth – but does it help one transfer wealth?

Research has made it clear that homeownership is a keyway to [build wealth](#) in the United States. But in light of the impending historic wealth transfer, we wanted to explore the relationship between homeownership and inheritance across demographics. Our [research](#) found that homeowners were more likely than renters to expect to leave an inheritance, even when holding constant differences in one’s socioeconomic position like financial wealth, student debt, and income. Specifically, we found that the odds of a homeowner expecting to leave an inheritance were 1.3 times that of a renter. And the relationship between homeownership status and inheritance was greater for Black and Hispanic households relative to white households. This is perhaps because housing wealth tends to make up a [greater portion of total wealth](#) for Black and Hispanic households than for white ones.

Below, we show odds ratios from our logistic regression analysis by race and ethnicity. Values above one indicate a positive correlation with expectation of leaving an inheritance, while values below one indicate the inverse (Figure 1).

Figure 1: Homeownership is strongly related to one’s propensity to leave inheritance, even when holding other factors constant.



Source: Zhu, Linna and Amalie Zinn. 2024. [The Great Inequality Transfer: Unpacking the Relationship Between Homeownership & Intergenerational Wealth Transfers](#). Washington, DC: Urban Institute.

Notes: We show results for key variables of interest, but our model included a full set of controls: the log of financial wealth, whether one has educational debt, the log of income, whether one has major foreseeable expenses, whether one has received an inheritance, age, age-squared, whether one has heirs, marital status, retirement status, and the survey year. ** p < 0.01; * p < 0.05.

Not all homeownership is created equal. What is the role of housing wealth in driving inheritances?

Building generational wealth through homeownership is more than just buying a home. Creating true generational wealth requires sustaining homeownership, shouldering economic shocks and downturns, and paying off one's mortgage to build equity. Although homeowners are more likely than renters to leave an inheritance, there are disparities in sustaining homeownership, resulting in many racial groups having unequal access to its benefits.

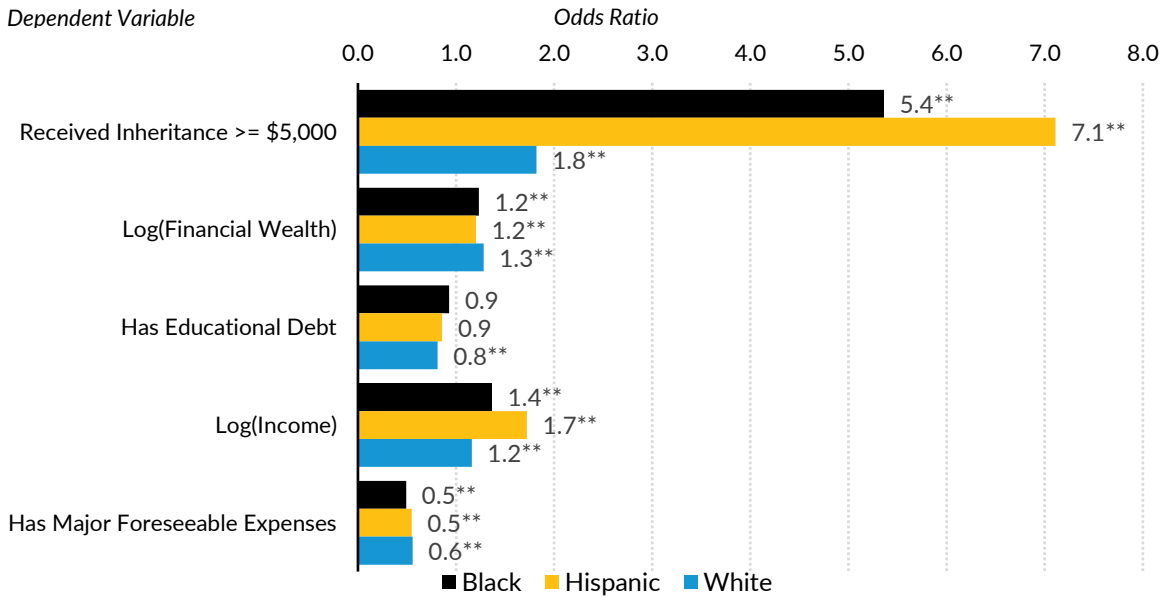
For homeowners, building equity—whether through rising home prices or paying down a mortgage—is a key factor in the likelihood of passing on wealth. Yet, our research found that this pathway disproportionately favors white homeowners, who tend to [own higher valued homes](#) and [owe less mortgage debt](#) than their Black and Hispanic counterparts. In 2022, the median home equity of white boomer homeowners was \$269,000, compared with \$194,000 among Hispanic homeowners and \$128,500 among Black homeowners. This disparity largely results from a history of discriminatory practices and the fact that white households are also [more likely to buy their first home at a younger age](#), which better positions them to build home equity over the course of their lifetime.

Which households rely on inheritance to achieve homeownership?

Our research showed that there's a strong correlation between receiving an inheritance and becoming a homeowner. Households that received an inheritance of at least \$5,000 or more had 2.5 times the odds of being homeowners as other households. And this relationship was stronger for households of color compared to white households. Hispanic households that received at least \$5,000 in inheritance had homeownership odds more than seven times that of non-recipients, and Black recipients had 5.4 times the odds of being homeowners compared with non-recipients. White households that received inheritances of at least \$5,000 had just 1.8 times the odds of non-recipients of being homeowners (Figure 2). This may reflect the relative difficulty that Black and Hispanic households face in [accessing the credit and capital needed to become a homeowner](#).

But in the coming decades, the households that rely on inheritance the most to achieve homeownership and its wealth-building potential are the least likely to receive inheritance. This raises concerns for those of us working to increase equity in access to homeownership.

Figure 2: Households that receive sizable inheritances, especially households of color, have a significant increase in the odds of being a homeowner.



Source: Zhu, Linna and Amalie Zinn. 2024. [The Great Inequality Transfer: Unpacking the Relationship Between Homeownership & Intergenerational Wealth Transfers](#). Washington, DC: Urban Institute.

Notes: We show results for key variables of interest, but our model included a full set of controls: the log of financial wealth, whether one has educational debt, the log of income, whether one has major foreseeable expenses, whether one has received an inheritance, age, age-squared, whether one has heirs, marital status, retirement status, and the survey year. ** p < 0.01; * p < 0.05.

Racist housing policy bolstered the racial wealth gaps that we see today. An overhaul of these policies is a solution to closing this gap.

Today, the average white family holds [six times](#) the average wealth of Black and Hispanic families. Racist housing policies have been a [major contributor](#) to the growing racial wealth gap. For decades, some households – predominantly white ones – have passed down wealth and opportunity, while others have been denied these same opportunities. Given the [increasing cost of homeownership](#), severe [housing supply shortage](#), and competition to obtain resources that can assist with homeownership, [access to generational wealth](#) is a key factor in determining whether or not someone can become a homeowner.

To avoid a widening of racial wealth and homeownership gaps, policymakers will need to not simply increase the supply of housing, but also offer targeted demand-side programs that support households with the least access to generational wealth. Our analysis suggests that taking such actions could launch a virtuous cycle and create opportunities for households previously locked out of wealth-building, allowing them to leave inheritance and pass along wealth to the next generation. In other words, taking steps today to reduce inequality could benefit generations to come.

A policy response to this longstanding problem is critical across the country, but especially in states like California, where [more than half](#) of the population is non-white and younger generations are even more racially diverse than older ones. Moreover, median housing costs in California are [well above](#) the national median, and high housing costs are even more prohibitive for those without generational wealth.

At a time when housing policy is receiving more attention than ever from policymakers at the local, state, and federal levels, we can utilize this momentum to open opportunities to homeownership and take meaningful steps towards closing the racial wealth gap. But it is up to policymakers to ensure that happens – and up to all of us in the housing community to do the work necessary to ensure robust policies move forward.

Author Bios

Linna Zhu is a senior research associate at the Urban Institute's Housing Finance Policy Center. Her research provides evidence-based insights to inform policymakers on improving access to homeownership, sustaining it, and building generational wealth. Zhu's current work explores the intersection of housing, aging, artificial intelligence, and climate change. Her findings have been cited by leading outlets, including The New York Times, The Washington Post, USA Today, and CNBC. Her research has been published in leading academic and policy journals, such as *Regional Science and Urban Economics* and *Cityscape*. She holds a PhD in public policy and management from the University of Southern California.

Amalie Zinn is a research analyst in the Housing Finance Policy Center at the Urban Institute. Broadly, her research focuses on the intersection of racial wealth equity and housing finance. She has analyzed racial-ethnic disparities in access to credit, capital, and financial services, as well as policy solutions to racial gaps in wealth and financial well-being within and across generations. Zinn graduated Phi Beta Kappa from the University of Wisconsin-Madison with a BA in economics and French and a minor in public policy.